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February 20, 2008

Mr. Erik Sirri
Director
Division of Trading and Markets
U.S. Securities and Exchange Commission
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Washington, DC 20549
FAX: 202-772-9273

Ms. Martha Mahan Haines
Chief, Office of Municipal Securities
Division of Trading and Markets
U.S. Securities and Exchange Commission
100 F Street, NW Room 7612
Washington, DC 20549
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Dear Mr. Sirri and Ms. Haines:

The GFOA Committee on Governmental Debt Management (the "Committee") is writing on behalf of its 17,000 members, many of whom are bond issuers and have responsibilities to provide ongoing secondary market disclosure pursuant to SEC Rule 15c2-12. Recent downgrades of the monoline municipal bond insurance companies have caused concern among our members about how to proceed in meeting their obligations under their continuing disclosure agreements.

There has been public discussion of two communications from the SEC on this matter. The first of these communications, titled "SEC Staff Issues Guidance on Fitch Downgrades of AMBAC", was first publicized by the National Association of Bond Lawyers to its members via a NABLNET Alert on January 18, 2008. A second communication titled "SEC Staff Provides Guidance on Downgrades of Insured Bonds" was sent again by NABL through a NABLNET Alert to its members on February 8, 2008. The Committee is writing to express its concern about these communications. While we believe these communications were intended to provide some welcome procedural guidance, we have found that they have instead raised more questions than they have answered. The Committee is writing to seek clear and formal direction from the SEC that will help our members meet their continuing disclosure obligations.

Our primary concerns are two-fold:

1. Members of the Committee are concerned with the SEC reversing its position and backing away from the announcement that the information about the monoline downgrades are "so widespread and extensive in the press" that an individual issuer does not need to file a material event notice on a bond issue that has been downgraded solely due to the bond insurer downgrade. We believe that the SEC should formally announce that individual material event notices do not need to be filed under these conditions for three reasons.

    - When SEC Rule 15c2-12 was adopted, a rating change was specified as an explicit material event that needs to be announced to the marketplace through a filing with the NRMSIRs (or today with the CPO). The purpose of alerting the market was to let investors know that a rating agency had determined that a governmental entity's revenues, policies or economic outlook had changed since the original rating was given. In this current climate, a bond issue may be downgraded not because of any structural change in the governmental entity, but because of a downgrade of an issue's

bond insurer, not the underlying security. Thus, the intent of SEC Rule 15c2-12 to alert investors to a change of an issuer's financial standing is not met under these conditions.

- The rating agencies are not sending letters to issuers notifying them that an issue has been downgraded. Instead, issuers are forced to "look themselves up" on various rating agency web sites to see if their bonds have been downgraded. The issuer is expected to know to do this because it is "so widespread and extensive in the press". The SEC's policy that the issuer must know to go to a web site to see if they have been downgraded because it is "so widespread and extensive in the press", is contrary to the SEC's position that the "so widespread and extensive in the press" argument does not suffice for investors, and thus issuers must file a material event notice.

- Without a letter from the rating agency an issuer may not know of the downgrade and cannot cite any document evidencing the downgrade. In order to file a material event notice, an issuer needs such evidence.

2. The second concern is that the announcements referenced above were apparently made in private email exchanges between SEC staff members and individual bond counsel. To the extent that the announcements were intended to direct or guide bond issuers toward properly meeting their disclosure responsibilities, it seems that such announcements should be made formally in the form of a public press release or other written communication and posted on a web site that can be referenced by interested parties. Such a public announcement should also provide the name and contact information of the appropriate SEC staff to address questions that will inevitably arise.

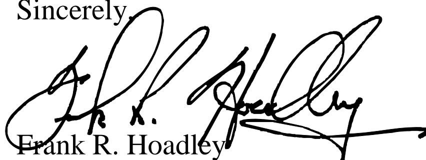
If the SEC determines that issuers must provide material event notices relating to bond insurer downgrades, then other matters need to be clarified, as noted below.

1. Many issuers have had ratings assigned to their insured bonds without their knowledge and without such insurance being cited in the Final Official Statements for the bonds. Is it the issuer's responsibility to file a material event notice if they were not the party who purchased insurance in either the primary or secondary market? We believe that issuers should only be responsible for filing material event notices relating to rating downgrades of insurers whose credit enhancement was part of the original marketing of the bonds as demonstrated by the insurer's inclusion in the Final Official Statement. If the bond insurance was provided without the issuer's knowledge or consent, was not referenced in the Final Official Statement, or was obtained by investors in the secondary market, the issuer should not be responsible for filing material event notices for rating downgrades for such bond insurer.

2. Is it the issuer's responsibility to file a material event notice if they are not the party that secured the original credit rating? We believe that if a rating was secured by a party other than the issuer, and that rating has subsequently been downgraded, it is the responsibility of the party who secured the rating to file the material event notice.

We would greatly appreciate clarification on the matters listed above so the country's 50,000 issuers can have clear direction of their responsibilities. We would also like the opportunity to further discuss these matters with you, in addition to obtaining formal guidance for our members.

Sincerely,



Frank R. Hoadley
Chairman, Governmental Debt Management Committee